

SENATE BILL 126
EMERGENCY BILL

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B5

2003 Regular Session
3r1355
CF 3r1354

By: **Senator Lawlah (Joint Committee on the Management of Public Funds)**
and Senators McFadden, Haines, and Forehand

Introduced and read first time: January 24, 2003

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **General Obligation Bonds - Accounting for Proceeds**

3 FOR the purpose of requiring the Comptroller to establish the State and Local
4 Facilities Loan Fund, a premium and expense account, and certain accounts and
5 subaccounts for accounting purposes; requiring the Comptroller to credit,
6 expend, and account for certain proceeds from the sale of State bonds in a
7 certain manner; authorizing certain uses of certain proceeds; allowing the
8 Comptroller to restate certain prior expenditures of certain proceeds;
9 authorizing certain proceeds to be transferred to and expended from the State
10 and Local Facilities Loan Fund; making this Act an emergency measure; and
11 generally relating to crediting, expending, and accounting for general obligation
12 bond proceeds.

13 BY repealing

14 Article - State Finance and Procurement
15 Section 8-125
16 Annotated Code of Maryland
17 (2001 Replacement Volume and 2002 Supplement)

18 BY adding to

19 Article - State Finance and Procurement
20 Section 8-125
21 Annotated Code of Maryland
22 (2001 Replacement Volume and 2002 Supplement)

23 BY repealing and reenacting, with amendments,

24 Article - State Finance and Procurement
25 Section 8-127
26 Annotated Code of Maryland
27 (2001 Replacement Volume and 2002 Supplement)

1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
2 MARYLAND, That the Laws of Maryland read as follows:

3 **Article - State Finance and Procurement**

4 [8-125.

5 (a) The Comptroller shall establish:

6 (1) an annuity bond account for each enabling act; and

7 (2) as part of the account, a premium and expense account.

8 (b) (1) The Comptroller shall credit the proceeds of the sale of State bonds:

9 (i) to the annuity bond account for the enabling act under which
10 the State bonds are issued; or

11 (ii) whenever State bonds are sold as part of a State and local
12 facilities loan, among the annuity bond accounts for the enabling acts under which
13 the State bonds are sold.

14 (2) The Comptroller shall credit to the premium and expense account the
15 part of the proceeds that is a premium.

16 (c) (1) To the extent payment of these expenses is not otherwise provided
17 for, each premium and expense account shall be charged with the expenses of the sale
18 of State bonds issued under the enabling act for which the account is established.

19 (2) After all expenses of the sale of State bonds have been paid, the
20 money that remains in the account shall be transferred to the Annuity Bond Fund, to
21 be applied to the debt service requirements on State bonds.]

22 8-125.

23 (A) IN THIS SECTION, "FUND" MEANS THE STATE AND LOCAL FACILITIES
24 LOAN FUND.

25 (B) FOR BONDS ISSUED UNDER § 8-122 OF THIS SUBTITLE, THE COMPTROLLER
26 SHALL ESTABLISH:

27 (1) THE STATE AND LOCAL FACILITIES LOAN FUND;

28 (2) A PREMIUM AND EXPENSE ACCOUNT IN THE FUND; AND

29 (3) FOR ACCOUNTING PURPOSES ONLY:

30 (I) A CAPITAL PROJECT ACCOUNT FOR EACH ENABLING ACT; AND

31 (II) SEPARATE SUBACCOUNTS FOR EACH PROJECT INCLUDED IN
32 ENABLING ACTS AUTHORIZING MULTIPLE PROJECTS.

1 (C) (1) THE COMPTROLLER SHALL CREDIT THE PROCEEDS OF THE SALE OF
2 STATE BONDS TO THE FUND.

3 (2) THE COMPTROLLER SHALL CREDIT TO THE PREMIUM AND
4 EXPENSES ACCOUNT:

5 (I) ANY PART OF THE PROCEEDS OF A BOND SALE THAT IS A
6 PREMIUM; AND

7 (II) ANY ADDITIONAL PART OF THE PROCEEDS NECESSARY TO PAY
8 THE EXPENSES OF THAT BOND SALE.

9 (D) (1) ON APPROVAL BY THE BOARD, THE COMPTROLLER MAY EXPEND
10 MONEY FROM THE FUND FOR ANY EXPENDITURE AUTHORIZED BY AN ENABLING
11 ACT, REGARDLESS OF WHETHER BONDS HAVE BEEN SOLD TO SPECIFICALLY FUND
12 THAT ENABLING ACT.

13 (2) TO ENSURE COMPLIANCE WITH § 8-127 OF THIS SUBTITLE, THE
14 COMPTROLLER SHALL ACCOUNT FOR ALL EXPENDITURES FROM THE FUND ON A
15 PROJECT-SPECIFIC BASIS.

16 (3) AN EXPENDITURE MADE UNDER THIS SUBSECTION MAY NOT
17 REDUCE THE AMOUNT OF BONDS AUTHORIZED UNDER AN ENABLING ACT FOR
18 WHICH BONDS HAVE NOT BEEN SOLD.

19 (E) (1) UNLESS PAYMENT OF EXPENSES OTHERWISE HAS BEEN PROVIDED,
20 THE EXPENSES OF EACH BOND SALE SHALL BE PAID FROM THE PROCEEDS OF THAT
21 BOND SALE CREDITED TO THE PREMIUM AND EXPENSE ACCOUNT.

22 (2) AFTER THE EXPENSES OF EACH SALE OF STATE BONDS HAVE BEEN
23 PAID, THE REMAINING PREMIUM CREDITED TO THE PREMIUM AND EXPENSE
24 ACCOUNT FROM THAT BOND SALE SHALL BE TRANSFERRED TO THE ANNUITY BOND
25 FUND TO PAY DEBT SERVICE ON THOSE BONDS.

26 8-127.

27 (a) Except as provided in § 8-129 of this subtitle, the proceeds of a sale of
28 State bonds may be used only in the manner and for a project or program that is
29 specified in [the] AN enabling act [under which the State bonds are issued]
30 AUTHORIZING THE ISSUANCE OF STATE BONDS.

31 (b) (1) Except as provided in § 8-129 of this subtitle, the proceeds of a sale of
32 State bonds may be used only for a capital improvement unless:

33 (i) the enabling act specifically provides otherwise; or

34 (ii) in an emergency, the Board unanimously grants a temporary
35 exception.

1 (2) The Board shall determine whether the object of an expenditure is a
2 capital improvement. The standard for this determination is whether the useful life of
3 the object equals or exceeds the life of the State bonds.

4 (c) The Board shall enforce the provisions of this section.

5 SECTION 2. AND BE IT FURTHER ENACTED, That, in order to allocate
6 proceeds from the sale of State bonds to eligible expenditures for the purposes of
7 complying with the Internal Revenue Code and § 8-131.1 of the State Finance and
8 Procurement Article, to the extent permitted and in a manner consistent with the
9 federal Internal Revenue Code, the Comptroller may restate the prior expenditures of
10 proceeds from prior sales of State bonds as provided in Section 1 of this Act.

11 SECTION 3. AND BE IT FURTHER ENACTED, That the Comptroller may
12 transfer unexpended proceeds from prior sales of State bonds to the State and Local
13 Facilities Loan Fund and may expend such proceeds in accordance with Section 1 of
14 this Act.

15 SECTION 4. AND BE IT FURTHER ENACTED, That this Act is an emergency
16 measure, is necessary for the immediate preservation of the public health or safety,
17 has been passed by a ye and nay vote supported by three-fifths of all the members
18 elected to each of the two Houses of the General Assembly, and shall take effect from
19 the date it is enacted.